

## Message Text

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43

ACTION EUR-12

INFO OCT-01 EA-07 IO-13 ISO-00 SP-02 USIA-06 AID-05 EB-07

NSC-05 CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-03 H-02 PA-01 PRS-01 /107 W

----- 026664

R 141658Z MAY 76

FM AMEMBASSY ROME

TO SECSTATE WASHDC 7646

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

USDEL MTN GENEVA

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: EXCHANGE MARKET DEVELOPMENTS SINCE IMPOSITION OF PRIOR  
DEPOSIT PROGRAM

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REF: A. 76 ROME 7377

B. 76 ROME 7459

C. 76 ROME 7543

1. SUMMARY. SINCE MAY 6 IMPOSITION OF PRIOR DEPOSIT PROGRAM, EXCHANGE MARKET HAS RESPONDED FAVORABLY TO GOI INITIATIVES. LIRA HAS STRENGTHENED CONSIDERABLY FROM 916 LIRA/DOLLAR RATE OF MAY 5 (DAY PRIOR DEPOSIT PROGRAM WAS ANNOUNCED) TO MAY 14 LIRA/DOLLAR RATE OF 848. TRADING VOLUME HAS RETURNED TO NORMAL LEVELS AND BANK OF ITALY SUPPORT REDUCED. MAJOR MARKET ELEMENTS EXPECT RELATIVE EXCHANGE MARKET STABILITY BETWEEN NOW AND JUNE 20/21 NATIONAL ELECTIONS. END SUMMARY

2. FOLLOWING IMPOSITION OF PRIOR DEPOSIT PROGRAM EFFECTIVE MAY 6 AND ADDITIONAL EXCHANGE CONTROL MEASURES INTRODUCED MAY 7 (REFTELS) EXCHANGE MARKET HAS RESPONDED FAVORABLY. IN THREE MARKET DAYS FOLLOWING MAY 5 FRENETIC ACTIVITY AND ANNOUNCEMENT OF GOI MEASURES LIRA SHARPLY STRENGTHENED AGAINST ALL MAJOR CURRENCIES. LIRA APPRECIATED TO PEAK ON MAY 10 AND AFTERWARD LIRA RECEDED SOMEWHAT AS MARKET FELT FOR NEW LEVEL. AVERAGE OFFICIAL LIRA/DOLLAR QUOTATIONS DURING THIS PERIOD FOLLOW; MAY 5 915.75

MAY 6 889.9

MAY 7 886.8

MAY 10 833.95

MAY 11 842.025

MAY 12 849.85

MAY 13 849.85

MAY 14 847.75

3. CONTEMPORANEOUS WITH THESE DEVELOPMENTS, FORWARD AND PARALLEL MARKETS ALSO RECORDED IMPROVED LIRA POSITION. THREE MONTH FORWARD EXCHANGE RATE DROPPED FROM MAY 5 LIRA/DOLLAR QUOTATION OF 973.45 TO MAY 13 QUOTATION OF 920.35. PARALLEL MARKET (RATE FOR BANK TRANSFERS FROM CHIASSO SWITZERLAND TO NEW YORK) SLIGHTLY EASED FROM 1037.5 TO 1000 ON SAME TWO DATES.

4. FOREX MARKET VOLUME RETURNED TO NORMAL AFTER LIMITED OFFICIAL USE

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FRENZIED ACTIVITY MAY 5. BANK OF ITALY SUPPORT OF LIRA IN MARKET HAS DIMINISHED CONSIDERABLY FROM THAT IMMEDIATELY PRECEDING ANNOUNCEMENT OF MAY 5 MEASURES.

5. MARKET ELEMENTS -- GOI OFFICIALS, TRADERS, AND OBSERVERS -- GENERALLY EXPECT RELATIVE EXCHANGE MARKET STABILITY BETWEEN NOW AND JUNE 20/21 NATIONAL ELECTIONS. THIS DOES NOT IMPLY THAT LIRA WILL NOT CONTINUE TO

REFLECT MARKET PRESSURES BUT SHARP ADJUSTMENTS  
IN LIRA VALUE ARE NOT FORESEEN. GOI PRIOR DEPOSIT PRO-  
GRAM, WHICH WILL BE IN EFFECT THROUGH ELECTIONS, WILL  
BE MAJOR STABILIZING FACTOR. HOWEVER, UNACCEPTABLY HIGH  
INFLATION RATES CAST DARK SHADOW ON MEDIUM-TERM ECONOMIC  
PICTURE WHICH, IN TURN, REDUCES CHANCE FOR FAVORABLE  
FOREX DEVELOPMENTS. VOLPE

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, BANK DEPOSITS, FINANCIAL PROGRAMS, FOREIGN EXCHANGE CONTROLS, REPOSITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 MAY 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976ROME07945  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760188-0991  
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**Office:** ACTION EUR  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
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**Review Action:** RELEASED, APPROVED  
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**Status:** NATIVE  
**Subject:** EXCHANGE MARKET DEVELOPMENTS SINCE IMPOSITION OF PRIOR DEPOSIT PROGRAM  
**TAGS:** EFIN, IT  
**To:** STATE  
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